

IN THE SPECIFICATION

Please replace the paragraph beginning at page 1, line 17, with the following rewritten paragraph:

On the other hand, ~~researches~~ research in systems for splitting the frequency spectrum of a picture into plural frequency bands by a filter composed of a high-pass filter and a low-pass filter, known as a filter bank, and for performing encoding from one such frequency band to another, are progressing briskly. Of these systems, wavelet transform encoding is free from the drawback that block distortion becomes severe with higher compression, as in the case of the DCT, and hence is felt to be promising as a new technology which should take the place of the DCT.

Please replace the paragraph beginning at page 12, line 5, with the following rewritten paragraph:

Fig.23 shows how an image of an ~~objet~~ object is seen in an interlaced image, Fig.23A showing the case in which an object is moved towards right in an interlaced image and Fig.23B showing how the image of the ~~objet~~ object is seen in a progressive image.

Please replace the paragraph beginning at page 22, line 6, with the following rewritten paragraph:

In general, there is imposed on a picture encoding apparatus, adapted for encoding an input picture for compression in accordance with the JPEG-2000 system, an extremely large load in connection with processing for entropy encoding in EBCOT. On the other hand, in encoding to the target compression ratio or bitrate, there are those quantization coefficients which, after encoding by the EBCOT, are not actually used, these non-used quantization coefficients ultimately becoming wasteful coefficients.

Application No. 10/691,650  
Reply to Office Action of November 14, 2006.

Please amend the Abstract at page 61, with the following amended Abstract on a separate sheet as follows: